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RUEHBJ/AMEMBASSY BEIJING 2481
RUEHKO/AMEMBASSY TOKYO 2346
RUEHIT/AMCONSUL ISTANBUL 2928
RUCPDOG/DEPT OF COMMERCE WASHDC
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RHMFISS/CDR USCENTCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
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STATE FOR SCA/CEN, EEB

E.O. 12958: DECL: 01/13/2019

TAGS: [ECON](#) [PINR](#) [SOCI](#) [TX](#)

SUBJECT: FOREIGN BUSINESSMAN DISCUSSES HOW TO DO BUSINESS
IN TURKMENISTAN

Classified By: Charge Richard Miles, reasons 1.4 (B) and (D).

¶1. (C) Indian businessman, George Jacob, (strictly protect throughout) told econoff at a meeting on January 8 that success in business in Turkmenistan depends on three things: building good relationships, having contacts with the right people, and understanding the system. Jacob became an entrepreneur in Turkmenistan after living and working in the country as a consultant for five years. Jacob began working in Ashgabat in 1996 for U.K. consulting firm IPM on road, water supply and sanitation, information technology, and -- in coordination with auditor of Turkmenistan's petrochemicals reserves Gaffney Cline on oil and gas -- projects. In 2001 Jacob started his own company and began to distribute Japanese and Korean electronics such as Samsung, Panasonic, Hitachi, and JVC in Turkmenistan. Now, he has two showrooms in Ashgabat, a resale center in Dashoguz, and various service centers -- as well as an office in Tashkent and buyers working for him all over Central Asia and the Caucasus region.

BUSINESS ENVIRONMENT REQUIRES REGISTRATION IN A LOCAL'S NAME

¶2. (C) However, because of Turkmenistan's barriers to business -- especially foreign businesses -- Jacob's showrooms are registered in a local's name. He said that this arrangement means these showrooms could be seized at any time. Jacob said that, while locals licensed as entrepreneurs or Individual Sole Traders (or as a group of "Several Sole Traders" who operate as a sort of guild-like organization) are charged less import duty and value added tax than limited liability companies or public limited companies -- this privilege is not extended to foreign entrepreneurs. Jacob also said that entrepreneurs "have more freedom," noting that entrepreneurs are not required to keep cash in a bank. (NOTE: This is absolutely an important privilege because taking money out of one's personal or business bank account is not easy or automatic. Generally one must prove through invoices or other means why one needs to take a certain amount of money out of an account. Therefore, according to Neil McKain of the European Bank for Reconstruction and Development, some businesses keep dead people on the payroll in order to have access to cash. END NOTE.) Jacob now employs over 100 people -- including U.S. program alumni -- and has expanded into billboard advertising

and trade show stands. He visits about once a month and calls from his home base in Dubai once a week to keep in touch with his team.

PRESIDENT'S ASSISTANTS EXPECT GIFTS (GREASE PALMS TO GREASE THE SKIDS)

13. (C) Jacob did not admit to having given "gifts" to officials, but said that he had heard from business associates that the President's assistants expect gifts such as clothing, watches, and shoes -- and only the best brands. He had also heard an unsubstantiated rumor that Berdimuhamedov's shirt buttons are custom-made with monograms of "GB."

14. (C) COMMENT: Jacob indicated the great sensitivitiy involved with discussing aome aspects of doing business in Turkmenistan. The business barriers he describes -- in particular, the corruption -- could make it difficult for U.S. companies to enter this market. END COMMENT.
MILES